



## Why Bank of Montreal Stock Rallied 41% in 2021

### Description

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) has started the new year on a positive note by rising 3.6% to \$141.07 per share on January 4. These gains were an extension of the ongoing rally in BMO stock, as it posted nearly 41% gains in 2021 against a 21.7% increase in the **TSX Composite Index**. Before we discuss whether its stock is worth buying in 2022, let's take a closer look at some factors that fuelled a rally in Bank of Montreal's stock last year.

### Bank of Montreal stock

In the fiscal year 2020 (ended in October 2020), Bank of Montreal — just like all its peers — faced big operational challenges due to the coronavirus-driven shutdowns and restrictions. Despite facing these challenges, BMO continued to maintain strong capital and liquidity positions. Its total revenue for the fiscal year rose by 3.1% from a year ago. However, the pandemic-related measures and more spending to modernize its technology drove the bank's overall expenses higher, hurting its bottom line. As a result, its adjusted earnings for the fiscal year fell by 18.2% YoY (year over year) to \$7.71 per share.

Investors' high hopes about Bank of Montreal's financial recovery in the fiscal year 2021 drove its stock higher by 24.3% in the fourth quarter of the calendar year 2020. Despite these gains towards the end of 2020, BMO stock ended the year with about 4% losses.

But Bank of Montreal didn't disappoint investors, as its earnings growth significantly improved in the fiscal year 2021. Its adjusted net profit for the fiscal year rose by about 70% YoY to \$8.4 billion with a solid profit margin of about 33.5%. This profit margin was significantly higher than 20.8% in the fiscal year 2020 and 26.1% in 2019.

Positive operating leverage in each of Bank of Montreal's well-diversified businesses was one of the key [factors](#) that drove a sooner than expected recovery in its earnings growth. In addition, its wealth management and capital markets segment continued to perform well, even as the pandemic-related restrictions started easing. These positive factors boosted investors' confidence, driving a sharp rally in

BMO stock in the calendar year 2021.

## Is BMO stock worth buying in 2022?

Bank of Montreal is currently the fourth-largest Canadian bank based on its market cap of about \$91.4 billion. The bank has a decades-long history of delivering handsome returns to investors along with attractive [dividends](#). Excluding its dividends, BMO stock has risen by about 47% in the last three years.

After staging a sharp financial recovery in the fiscal year 2021, analysts expect its earnings-growth trend to moderate a bit in the ongoing fiscal year. Nonetheless, consistently rising economic activities in the post-pandemic phase could help it post better-than-expected earnings growth, which could help its share prices continue soaring in 2022.

Currently, BMO stock offers a strong dividend yield of around 4%, making it even more attractive for long-term investors who want to buy some reliable dividend stocks.

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**Author**

jparashar

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